

**AUDITED FINANCIAL STATEMENT  
AND SUPPLEMENTARY INFORMATION**

**CITY OF NEODESHA, KANSAS**

**December 31, 2014**

Reese & Novelly, PA  
*Certified Public Accountants*  
Manhattan, Kansas

# Audited Financial Statement and Supplementary Information

City of Neodesha, Kansas

Year Ended December 31, 2014

Independent Auditor's Report.....	1
<u>Regulatory Basis Financial Statement</u>	
Summary Statement of Receipts, Expenditures and Unencumbered Cash.....	3
Notes to Financial Statement .....	6
<u>Regulatory – Required Supplementary Information (Regulatory Basis)</u>	
Schedule 1: Summary of Expenditures - Budget and Actual .....	19
Schedule 2: Schedules of Receipts and Expenditures - Budget and Actual:	
General Fund .....	20
Bond and Interest Funds:	
Swimming Pool Bond Payment.....	21
Wilson Medical Center Bond Payment.....	22
Special Purpose Funds:	
Industrial Development Fund .....	23
Library Fund .....	24
Airport Fund.....	25
Special Highway .....	26
Special Parks and Recreation.....	27
911 Fund .....	28
Summary of Non-budgeted Special Purpose Funds .....	29
Summary Schedule of Capital Project Funds (Non-budgeted).....	30
Business Funds:	
Gas Utility.....	31
Water Utility .....	32
Electric Utility.....	33
Sewer Utility .....	34
Solid Waste Utility.....	35
Storm Water Utility.....	36
Water Bond and Interest Fund .....	37
Summary of Non-budgeted Business Funds.....	38
Schedule 3: Summary of Receipts and Disbursements – Agency Funds .....	39
Schedule 4: Schedules of Receipts and Expenditures- Related Municipal Entities:	
Rankin Memorial Public Library .....	40



REESE & NOVELLY, P.A.

Certified Public Accountants

Rick I. Reese, CPA  
Nicholas J. Novelly, CPA  
Carol E. McCullough, CPA

## INDEPENDENT AUDITOR'S REPORT

The Mayor and City Commission  
City of Neodesha, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Neodesha, Kansas Financial Reporting Entity (City), as of and for the year ended December 31, 2014, and the related notes to the financial statement (as listed in the table of contents).

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note A to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note A of the financial statement, the financial statement is prepared by the City of Neodesha, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

*Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Neodesha, Kansas, as of December 31, 2014 or changes in financial position for the year then ended. Further, the City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statement.

*Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of each fund of the City of Neodesha, Kansas Financial Reporting Entity, as of December 31, 2014, and their aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note A.

*Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds, and schedule of receipts and expenditures – related municipal entities (Schedules 1, 2, 3 and 4 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note A.

*Reese & Nevelly, PA, CPAs*

Manhattan, Kansas  
November 30, 2015

**FINANCIAL STATEMENT  
AND NOTE DISCLOSURES**

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
REGULATORY BASIS**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add		Ending Cash Balance
						Encumbrances and Accounts Payable		
<b>Governmental Type Funds:</b>								
General	\$ 10,339	\$	\$ 2,425,157	\$ 2,383,756	\$ 51,740	\$ 38,938	\$	\$ 90,678
<b>Bond and Interest Funds:</b>								
Swimming Pool Bond Payment	263,250		264,049	225,853	301,446			301,446
Wilson Medical Center Bond Payment	466		75,740	75,740	466			466
<b>TOTAL BOND AND INTEREST</b>	<b>263,716</b>		<b>339,789</b>	<b>301,593</b>	<b>301,912</b>			<b>301,912</b>
<b>Special Purpose Funds:</b>								
Industrial Development Fund	6,508		13,801	5,392	14,917	143		15,060
Library Fund	7,342		66,858	68,577	5,623	1,719		7,342
Airport Fund	10,309				10,309			10,309
Special Highway	85,592		62,451	116,843	31,200			31,200
Special Parks and Recreation	28,780		6,046	1,581	33,245			33,245
911 Fund	3,063		3,195		6,258			6,258
Recreation Fund	8			8	-			-
Employee Benefits Fund	17,696		486,370	379,548	124,518			124,518
Civic Center	2,680				2,680			2,680
Tort Liability	43,816				43,816			43,816
Capital Improvement Fund	12,236			12,236	-			-
<b>TOTAL SPECIAL PURPOSE</b>	<b>218,030</b>		<b>638,721</b>	<b>584,185</b>	<b>272,566</b>	<b>1,862</b>		<b>274,428</b>
<b>Capital Projects Funds:</b>								
W Granby Business Park	2,558		18		2,576			2,576
Raw Water Project			500,000	127,595	372,405			372,405
<b>TOTAL CAPITAL PROJECTS</b>	<b>2,558</b>	<b>-</b>	<b>500,018</b>	<b>127,595</b>	<b>374,981</b>	<b>-</b>		<b>374,981</b>

The notes to the financial statement are an integral part of this statement.

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
REGULATORY BASIS**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
<b>Business Funds:</b>							
Gas Utility	12,774		2,080,498	2,121,282	(28,010)	180,847	152,837
Water Utility	15,997		601,255	608,521	8,731	9,911	18,642
Electric Utility	21,717		4,290,755	4,092,886	219,586	24,015	243,601
Sewer Utility	17,000		375,080	238,935	153,145	4,019	157,164
Solid Waste Utility	2,341		203,057	186,077	19,321	2,629	21,950
Storm Water Utility	11,730		30,706	1,343	41,093		41,093
Water Bond and Interest Fund	29,056		103,910	103,910	29,056		29,056
Gas Utility Reserve	12,364				12,364		12,364
Water Utility Reserve	6,999				6,999		6,999
Electric Utility Reserve	6,455				6,455		6,455
Sewer Utility Reserve	810				810		810
Solid Waste Utility Reserve	4,915				4,915		4,915
Storm Water Utility Reserve	752				752		752
<b>TOTAL BUSINESS FUNDS</b>	<b>142,910</b>		<b>7,685,261</b>	<b>7,352,954</b>	<b>475,217</b>	<b>221,421</b>	<b>696,638</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>637,553</b>		<b>11,588,946</b>	<b>10,750,083</b>	<b>1,476,416</b>	<b>262,221</b>	<b>1,738,637</b>
<b>Related Municipal Entities:</b>							
Rankin Memorial Public Library	454,791		131,984	107,721	479,054		479,054
<b>TOTAL REPORTING ENTITY</b>	<b>\$ 1,092,344</b>	<b>\$ -</b>	<b>\$ 11,720,930</b>	<b>\$ 10,857,804</b>	<b>\$ 1,955,470</b>	<b>\$ 262,221</b>	<b>\$ 2,217,691</b>

The notes to the financial statement are an integral part of this statement.

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
REGULATORY BASIS**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

Composition of Cash:	
Checking accounts and certificates of deposit	\$ 1,772,297
Petty Cash	237
Cash on hand	15,616
Public Library (Related Municipal Entity)	479,054
	<u>2,267,204</u>
<b>TOTAL CASH</b>	
	(49,513)
Less Agency Funds (per Schedule 3)	<u>\$ 2,217,691</u>
<b>TOTAL REPORTING ENTITY (EXCLUDING AGENCY FUNDS)</b>	

The notes to the financial statement are an integral part of this statement.



## NOTES TO FINANCIAL STATEMENT

### CITY OF NEODESHA, KANSAS FINANCIAL REPORTING ENTITY

December 31, 2014

#### NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Neodesha, Kansas (Municipality) is a municipal corporation governed by an elected three member Commission. The accounting policies of the Municipality conform to the cash-basis and budget laws of Kansas (regulatory basis). The following is a summary of the more significant policies:

1. The Financial Reporting Entity: The financial reporting entity of the City of Neodesha, Kansas, is comprised of the primary government (the Municipality) and select related municipal entities.

The basic criterion for including a separate entity in the Municipality's financial reporting entity is the financial accountability of the Municipality for the separate entity. The Municipality is financially accountable if it appoints a voting majority of a related municipal entity's governing body and if it either has the ability to impose its will on the related municipal entity or there is a potential for the related municipal entity to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

The related municipal entities are included in the Municipality's reporting entity because they are established to benefit the Municipality and/or its constituents.

- a. Rankin Memorial Public Library is organized under K.S.A. 12-1218 and operated by Neodesha Public Library Board. The Municipality levies a property tax for the Library under K.S.A. 79-1952, which is deposited in a Municipality special purpose fund and transferred to the Library for its operations. Acquisition or disposition of real property or bond issuances must be approved by the City. Separate financial statements are not prepared.
2. Regulatory Basis Fund Types: The accounts of the Municipality are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its cash, liabilities, fund balance, receipts, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statement in this report, into generic regulatory basis fund types and broad fund categories as follows:

#### *Governmental Funds*

The General Fund is the chief operating fund of the Municipality. It is used to account for all financial resources except those that are required to be accounted for in another fund.

## NOTES TO FINANCIAL STATEMENT

### CITY OF NEODESHA, KANSAS FINANCIAL REPORTING ENTITY

December 31, 2014

Special Purpose Funds are used to account for the proceeds of specific tax levies and other specific revenue sources (other than capital project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Funds are used to account for the accumulation of resources, including tax levies, transfer from other funds and payment of long-term debt principal, interest, and related costs.

Capital Projects Funds are used to account for the debt proceeds and other financial resources to be used for the acquisition or construction of major capital facilities or equipment.

#### *Business Funds*

Business Funds are used to account for operations that provide goods or services to the general public on a continuing basis. Such operations are financed and operated in a manner similar to private business entities and (a) are intended to be self supporting through charges to users or (b) the governing body has deemed it appropriate to account for them as business funds for capital maintenance, public policy, management control, accountability, or other purposes.

#### *Fiduciary Funds*

Trust Funds are used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency Funds are used to account for assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, tax collection accounts, etc.).

3. Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America: The municipal reporting entity prepares the financial statement using *Kansas Municipal Audit and Accounting Guide (KMAAG)* regulatory basis of accounting, which is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas.

The *KMAAG* regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. Receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances.

## NOTES TO FINANCIAL STATEMENT

### CITY OF NEODESHA, KANSAS FINANCIAL REPORTING ENTITY

December 31, 2014

Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a receipt is recorded in the fund receiving cash from another fund, and the expenditure would be charged in the fund from which the transfer is made. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The *KMAAG* regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflow or outflows, other than those mentioned above.

The Municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the *KMAAG* regulatory basis of accounting.

4. Budgetary Information: Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:
  - a. Preparation of the budget for the succeeding calendar year on or before August 1.
  - b. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
  - c. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
  - d. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

## NOTES TO FINANCIAL STATEMENT

### CITY OF NEODESHA, KANSAS FINANCIAL REPORTING ENTITY

December 31, 2014

All legal annual operating budgets are prepared using the regulatory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, trust funds and the following special purpose and business funds:

*Special Purpose Funds:* Tort Liability; Capital Improvement; CDBG Economic Development Grant; KDGP Housing Grant

*Business Funds:* Gas Reserve; Water Reserve; Electric Reserve; Sewer Reserve; Solid Waste Reserve; Storm Water Reserve

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

5. Property Taxes: In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1<sup>st</sup> of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one half or the full amount of taxes levied on or before December 21 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1<sup>st</sup> of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are a lien on the property.
6. Cash and Investments: The Municipality uses an internally pooled cash system in which the cash balances from all funds are combined and invested to the extent available in certificates of deposit and other authorized investments. Earnings from these investments, unless specifically designated, are allocated to the general fund and the utility funds based upon their average cash balances. Investments are stated at cost, which approximates market.

## NOTES TO FINANCIAL STATEMENT

### CITY OF NEODESHA, KANSAS FINANCIAL REPORTING ENTITY

December 31, 2014

7. Other Related Municipal Entities (excluded from municipal financial reporting entity): The Municipality's Commission is also responsible for appointing the members of the following boards. However they have been excluded from the Municipality's reporting entity because they operate separate legal entities, and the Municipality's accountability for these organization does not extend beyond making the appointments and the Municipality Commission makes no appropriations the entities. Separate financial statements may be obtained from the respective entities:
  - a. The Housing Authority of the City of Neodesha, Kansas (Housing Authority): The Housing Authority is organized under K.S.A 17-2339 and operated by the Neodesha Housing Authority Board. The Housing Authority operates the City's housing projects with a March 31<sup>st</sup> year end. The housing authority can sue, and can be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the City.
  - a. Neodesha Recreation Commission is organized under K.S.A. 12-1922 and is operated by a joint Commission between the City of Neodesha and Unified School District (USD) 461. The recreation commission operates as a separate governing body and has only the powers granted by statute, K.S.A 12-1928.
8. Reimbursements: The Municipality records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the reimbursement is recorded as a qualifying budget credit in the fund receiving the reimbursement.

#### NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### 1. Compliance with finance-related legal (including KSA's) and contractual provisions

*K.S.A. 79-2935* indicates, "Expenditures, including encumbrances, in any lawfully budgeted fund should not exceed the adopted budget of expenditures plus any reimbursements (budget credits) of current year expenditures of such fund for that budget year."

We noted one fund in violation of *K.S.A. 79-2935*. The General fund, a general governmental type fund, exceeded its legal budget by \$58,756.

*K.S.A 10-1113* states it is unlawful to create an indebtedness in excess of the amount of funds actually on hand in the treasury. We noted the following fund in violation of *K.S.A. 10-1113*:

- Gas Utility Fund has an ending unencumbered cash balance of \$(28,010)

## NOTES TO FINANCIAL STATEMENT

### CITY OF NEODESHA, KANSAS FINANCIAL REPORTING ENTITY

December 31, 2014

#### NOTE C – DEPOSITS AND INVESTMENTS

As of December 31, 2014, the Municipality's investments consisted of short-term certificates of deposit.

K.S.A. 9-1401 establishes the depositories which may be used by the Municipality. The statute requires banks eligible to hold the Municipality's funds have a main or branch bank in the county in which the Municipality is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Municipality has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Municipality's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Municipality has no investment policy that would further limit its investment choices. The Municipality had no investments, other than certificates of deposit which are included in the bank deposits; therefore they do not have a rating.

*Concentration of credit risk:* State statutes place no limit on the amount the Municipality may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Municipality's deposits may not be returned to it. State statutes require the Municipality's deposits in financial institutions to be entirely covered by federally depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Municipality had no agreements for designated "peak periods." All deposits were legally secured at December 31, 2014.

At December 31, 2014, the carrying amount of the Municipality's deposits, including certificates of deposit, was \$1,788,146 and the bank balance was \$1,976,163. The bank balance was held by three banks which did not result in a concentration of credit risk. Of the bank balance, \$850,036 was covered by federal depository insurance and \$1,126,127 was collateralized with securities held by the pledging financial institutions' agents in the Municipality's name.

*Custodial credit risk – investments:* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Municipality will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

## NOTES TO FINANCIAL STATEMENT

### CITY OF NEODESHA, KANSAS FINANCIAL REPORTING ENTITY

December 31, 2014

#### Related Municipal Entity Cash Balances and Investments:

At year-end, the carrying amount of the Rankin Memorial Public Library deposits including certificates of deposit was \$274,414 and the bank balance was \$273,997, all of which was covered by FDIC insurance. The Library also holds investments at cost totaling \$204,640.

As of year-end, the Library has the following investments:

INVESTMENT TYPE	COSTS	Market Value	MATURITY	RATING
Mutual Funds	\$ 174,200	\$182,331	Annual	
CDS	\$ 30,440	\$ 30,642	Various	N/A

These investments are reported at cost in the regulatory basis financial statements of the Library.

K.S.A. 12-2225(h) allows the Library to receive and accept gifts or donations to the library and administer the same in accordance with any provisions thereof. If no provisions are specified, the board shall have the power to hold, invest, or reinvest the gift and any dividends, interest, rent or income derived from the gift in the manner the board deems will be serve the interest of the Library.

#### NOTE D—LONG TERM DEBT

The following is a summary of debt transactions of the Municipality for the year ended December 31, 2014. See Notes L and M for the schedules of long-term liabilities and current maturities of long-term debt.

	Payable Beginning of Year	Issued	Retired	Payable End of Year
General Obligation Bonds	\$ 2,100,000		\$ 325,000	\$ 1,775,000
Revolving Notes	110,460		37,472	72,988
Temporary Notes	-	500,000		500,000
Capital Leases	274,024	378,085	110,335	541,774
Total	\$ 2,484,484	\$ 878,085	\$ 472,807	\$ 2,889,762

Total interest expense for the year was \$88,406.

#### Conduit Debt

From time to time, the Municipality has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are generally payable from and secured by the project financed and if needed, additional assets and/or revenues of the private-sector entity served by the bond issuance. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

## NOTES TO FINANCIAL STATEMENT

### CITY OF NEODESHA, KANSAS FINANCIAL REPORTING ENTITY

December 31, 2014

Neither the Municipality, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2014, there were three series of industrial revenue bonds outstanding. The aggregate principal amount payable at December 31, 2014 could not be determined; however, their original issue amounts totaled \$9,005,477.

#### NOTE E—DEFINED BENEFIT PENSION PLAN

*Plan Description:* The non-school Municipality participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

*Funding Policy:* K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at five percent of covered salary for Tier 1 members and at six percent of covered salary for Tier 2 members. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at seven percent of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

*Net Pension Liability:* The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014. As of June 30, 2014 the net pension liability for KPERS was \$8,291,794,910. KPERS has determined the Municipality's proportionate share of the net pension liability is \$1,500,681 as of June 30, 2014. The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described in the first paragraph above.



## NOTES TO FINANCIAL STATEMENT

### CITY OF NEODESHA, KANSAS FINANCIAL REPORTING ENTITY

December 31, 2014

#### NOTE F—OTHER POST EMPLOYMENT BENEFIT

As provided by K.S.A. 12-5040, the municipality allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the municipality is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Budget Reconciliation Act (COBRA), the municipality makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

#### NOTE G—COMPENSATED ABSENCES

The Municipality's policy regarding vacation pay states employees must use their accumulated vacation time within each anniversary period. Permission must be granted by the Department Head and City Administrator to allow an employee to carry over any unused vacation time into the next period.

The Municipality's policy regarding sick pay permits employees to accumulate an unlimited amount of sick pay hours. Policy does not provide for payment of accumulated sick pay on the date of employment termination. Per the Municipality's policy, at the end of the year employees can sell back unused sick leave earned during that calendar year. A reserve of 240 hours of sick leave must be kept to be eligible to sell back unused sick leave. Sick leave must be sold in eight hour increments at a rate of \$50 per eight hour increment.

Per the Municipality's policy at December 31, 2014, the Municipality's liability for unused vacation was approximately \$64,900.

#### NOTE H—CAPITAL PROJECTS

At year-end, capital projects authorizations with approved change orders compared with disbursement and accounts payable from inception are as follows:

Project Name	Project Authorizations	Expenditures to Date	Status
West Grandby Business Park	3,204,433	986,018	In progress
Raw Water Intake	3,000,000	127,595	In progress
TOTAL	<u>\$ 6,204,433</u>	<u>\$ 1,113,613</u>	

## NOTES TO FINANCIAL STATEMENT

### CITY OF NEODESHA, KANSAS FINANCIAL REPORTING ENTITY

December 31, 2014

#### NOTE I—COMMITMENTS AND CONTINGENCIES

Construction Contracts: At December 31, 2014, the Municipality had several pending construction project contracts. Commitments related to significant contracts include contracts for the Municipality's street improvements.

##### Other Commitments

*Energy Contract:* In December of 2009, the City of Neodesha signed a 10 year agreement with the Kansas Power Pool to purchase electricity on behalf of the City. Neodesha's resources from Nearman, GRDA, and SWPA were assigned to the Power Pool for this time period. Power is delivered to the points designed by the City or its agent. In September of 2011, the City of Neodesha sent a letter to the Board of the Kansas Power Pool requesting to withdraw and terminate the contract earlier than the terms set out. The KPP Board accepted the letter and the City was released from this contract as of September 1, 2013.

On March 26, 2012, the City of Neodesha approved a contract to join other cities in Kansas forming the Energy Management Project #3, under the guidance of Kansas Municipal Energy Agency (KMEA). Upon the City's release from KPP the City will purchase bridge energy until full power arrangements through EMP #3 can be established. The contract requires a three year notice to terminate.

*Natural Gas Contract:* The City contracts with Constellation New Energy to provide natural gas purchasing services. Product is delivered to the City's town gate pipeline interconnect points or other interconnect points designated by the City. The contract is issued for twelve months and is self renewing for periods of twelve months unless cancelled with a sixty day written notice.

Risk Management: The Municipality is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. For this reason, the City has jointed together with other municipalities in the State to participate in Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for participating members.

The City pays an annual premium to KMIT for its insurance coverage. The agreement to participate provides that KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT's management.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## NOTES TO FINANCIAL STATEMENT

### CITY OF NEODESHA, KANSAS FINANCIAL REPORTING ENTITY

December 31, 2014

Litigation: There are a number of claims and/or lawsuits to which the Municipality is a party as a result of matters and complaints arising in the ordinary course of Municipality activities. The Municipality's management and legal counsel anticipate that the potential claims against the Municipality not covered by insurance, if any, resulting from such matters would not materially affect the financial position of the Municipality.

#### NOTE J—TRANSFERS

Operating transfers were as follows:

FROM	TO	Statutory Authority	Amount
Utility Funds	General Fund	K.S.A. 12-825d	825,000
Utility Funds	Debt Fund	K.S.A. 12-825d	103,910
Recreation Fund	General Fund	Equity transfer	8
Capital Project	General Fund	Equity transfer	12,236
			<u>\$ 941,154</u>

#### NOTE K—MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

In preparing these financial statements, the Municipality has evaluated events and transactions for potential recognition or disclosure through November 30, 2015, the date the financial statements were available to be issued.

# NOTES TO FINANCIAL STATEMENT

## CITY OF NEODESHA, KANSAS

### NOTE L - SCHEDULE OF LONG-TERM DEBT

The following is a schedule of changes in long-term debt for the City for the year ended December 31, 2014

	Interest Rate	Date Issued	Original Amount	Date of Final Maturity	Outstanding January 1, 2014	Issued	Retired	Net Change	Outstanding December 31, 2014	Interest Paid
<b>General Obligation Bonds</b>										
2008-A Utility Improvements	3.0-4.35%	9/2/2008	\$ 870,000	10/1/2023	\$ 630,000		\$ 50,000	\$ (50,000)	\$ 580,000	\$ 25,740
2009-A Public Improvements	1.7-5.1%	9/17/2009	1,700,000	10/1/2019	1,105,000		175,000	(175,000)	930,000	50,853
2012 Refunding	0.6-1.4%	11/15/2012	465,000	10/1/2017	365,000		100,000	(100,000)	265,000	3,910
<b>TOTAL GENERAL OBLIGATION BONDS</b>			<b>3,035,000</b>		<b>2,100,000</b>	<b>-</b>	<b>325,000</b>	<b>(325,000)</b>	<b>1,775,000</b>	<b>80,503</b>
<b>Revolving Loans</b>										
KDHE - Water project	2.57%	9/23/2005	300,449	9/1/2016	110,460		37,472	(37,472)	72,988	2,600
<b>Temporary Notes</b>										
2014A - Water Improvements	0.90%	7/15/2014	500,000	7/15/2016	-	500,000		500,000	500,000	
<b>Capital Leases</b>										
2- 2011 Ford Dump Trucks	2.31%	9/29/2011	100,000	10/10/2014	34,131		34,131	(34,131)	-	786
Phone System	2.21%	4/11/2012	58,767	10/31/2014	18,390		18,390	(18,390)	-	399
Transformer	2.11%	4/30/2013	220,950	10/15/2017	176,593		42,828	(42,828)	133,765	3,675
CIC Software	2.07%	10/23/2013	44,910	4/15/2016	44,910		14,986	(14,986)	29,924	443
2013 Ford Ambulance	2.14%	4/29/2014	208,829	3/15/2019		208,829		208,829	208,829	
2015 Electric Utility Truck	2.14%	12/3/2014	169,256	3/15/2019		169,256		169,256	169,256	
<b>TOTAL CAPITAL LEASES</b>			<b>802,712</b>		<b>274,024</b>	<b>378,085</b>	<b>110,335</b>	<b>267,750</b>	<b>541,774</b>	<b>5,303</b>
<b>TOTAL INDEBTEDNESS</b>			<b>\$4,638,161</b>		<b>\$2,484,484</b>	<b>\$ 878,085</b>	<b>\$ 472,807</b>	<b>\$ 405,278</b>	<b>\$2,889,762</b>	<b>\$ 88,406</b>

# NOTES TO FINANCIAL STATEMENT

## CITY OF NEODESHA, KANSAS

### NOTE M: SCHEDULE OF MATURITY OF LONG TERM DEBT

The current maturities of long term debt and interest for the next five years and in five year increments through maturity as follows:

	2015	2016	2017	2018	2019	2020-2024	Total
<b>PRINCIPAL</b>							
General obligation bonds	\$ 330,000	\$ 335,000	\$ 310,000	\$ 250,000	\$ 265,000	\$ 285,000	\$ 1,775,000
Revolving loans	38,441	34,547					72,988
Temporary notes		500,000					500,000
Capital leases	133,442	133,106	120,453	76,573	78,200		541,774
<b>TOTAL PRINCIPAL</b>	<b>501,883</b>	<b>1,002,653</b>	<b>430,453</b>	<b>326,573</b>	<b>343,200</b>	<b>285,000</b>	<b>2,889,762</b>
<b>INTEREST</b>							
General obligation bonds	71,303	60,940	49,390	37,535	25,425	31,755	276,348
Revolving loans	1,630	636					2,266
Temporary notes		4,500					4,500
Capital leases	8,373	8,711	5,883	3,312	1,673		27,952
<b>TOTAL INTEREST</b>	<b>81,306</b>	<b>74,787</b>	<b>55,273</b>	<b>40,847</b>	<b>27,098</b>	<b>31,755</b>	<b>311,066</b>
<b>TOTAL PRINCIPAL AND INTEREST</b>	<b>\$ 583,189</b>	<b>\$ 1,077,440</b>	<b>\$ 485,726</b>	<b>\$ 367,420</b>	<b>\$ 370,298</b>	<b>\$ 316,755</b>	<b>\$ 3,200,828</b>

**REGULATORY-REQUIRED  
SUPPLEMENTARY INFORMATION**

**SUMMARY OF EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
BUDGETED FUNDS ONLY (SCHEDULE 1)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

<b>Funds</b>	<b>Certified Budget (As Amended)</b>	<b>Adjustment for Qualifying Budget Credits</b>	<b>Total Budget for Comparison</b>	<b>Expenditures Chargeable to Current Year</b>	<b>Favorable (Unfavorable) Variance</b>
<b>Governmental Type Funds:</b>					
General	\$ 2,325,000	\$	\$ 2,325,000	\$ 2,383,756	\$ (58,756)
<b>Bond and Interest Funds:</b>					
Swimming Pool Bond Payment	542,874		542,874	225,853	317,021
Wilson Medical Center Bond Payment	78,716		78,716	75,740	2,976
<b>Special Purpose Funds:</b>					
Industrial Development Fund	12,000		12,000	5,392	6,608
Library Fund	76,000		76,000	68,577	7,423
Special Highway	122,333		122,333	116,843	5,490
Special Parks and Recreation Fund	36,378		36,378	1,581	34,797
<b>Business Funds:</b>					
Gas Utility	2,298,596		2,298,596	2,121,282	177,314
Water Utility	887,442		887,442	608,521	278,921
Electric Utility	6,873,700		6,873,700	4,092,886	2,780,814
Sewer Utility	450,869		450,869	238,935	211,934
Solid Waste Utility	258,152		258,152	186,077	72,075
Storm Water Utility	125,887		125,887	1,343	124,544
Water Bond and Interest Fund	150,346		150,346	103,910	46,436

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS  
GENERAL FUND - (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Taxes and shared revenues	\$ 996,273	\$ 905,257	\$ (91,016)
Franchise fees	50,000	40,472	(9,528)
Licenses, permits, and fees	150	68	(82)
Fines, fees and forfeitures	50,000	43,321	(6,679)
Charges for services	242,000	244,370	2,370
Use of property	3,900	237,119	233,219
Interest income	7,000	4,821	(2,179)
Miscellaneous	2,500	3,311	811
Contract revenue	125,000	109,174	(15,826)
Operating transfers	825,000	837,244	12,244
<b>TOTAL CASH RECEIPTS</b>	<b>2,301,823</b>	<b>2,425,157</b>	<b>123,334</b>
Expenditures:			
General administration	374,000	311,517	62,483
Police	429,500	496,259	(66,759)
Fire	225,000	213,088	11,912
Street	202,000	248,970	(46,970)
Ambulance	292,500	574,258	(281,758)
Municipal Court	6,000	5,278	722
Swimming Pool	80,000	86,527	(6,527)
Parks/Cemetery	290,000	273,186	16,814
Service Improvements	65,000	59,921	5,079
Employee Benefits	351,000	77,514	273,486
Airport	10,000	37,238	(27,238)
<b>TOTAL EXPENDITURES</b>	<b>2,325,000</b>	<b>2,383,756</b>	<b>(58,756)</b>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	<b>(23,177)</b>	<b>41,401</b>	
Beginning Unencumbered Cash Balance	23,177	10,339	
<b>ENDING UNENCUMBERED CASH BALANCE</b>	<b>\$ -</b>	<b>\$ 51,740</b>	

See independent auditor's report.



**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - SWIMMING POOL BOND PAYMENT  
BOND AND INTEREST FUND - (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Taxes and shared revenues	\$ 245,000	\$ 247,532	\$ 2,532
Debt proceeds	17,800	16,517	(1,283)
<b>TOTAL CASH RECEIPTS</b>	<b>262,800</b>	<b>264,049</b>	<b>1,249</b>
Expenditures:			
Debt payments	542,874	225,853	317,021
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	<b>(280,074)</b>	<b>38,196</b>	
Beginning Unencumbered Cash Balance	280,074	263,250	
<b>ENDING UNENCUMBERED CASH BALANCE</b>	<b>\$ -</b>	<b>\$ 301,446</b>	

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - WILSON MEDICAL CENTER BOND PAYMENT  
BOND AND INTEREST FUND - (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Cash Receipts:			
Taxes and shared revenues	<u>\$ 75,740</u>	<u>\$ 75,740</u>	<u>\$ -</u>
Expenditures:			
Debt payments	<u>78,716</u>	<u>75,740</u>	<u>2,976</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(2,976)	-	
Beginning Unencumbered Cash Balance	<u>2,976</u>	<u>466</u>	
ENDING UNENCUMBERED CASH BALANCE	<u>\$ -</u>	<u>\$ 466</u>	

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - INDUSTRIAL DEVELOPMENT FUND  
SPECIAL PURPOSE FUND - (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Cash Receipts:			
Taxes and shared revenues	\$ 10,180	\$ 9,531	\$ (649)
Use of property	<u>1,820</u>	<u>4,270</u>	<u>2,450</u>
TOTAL CASH RECEIPTS	<u>12,000</u>	<u>13,801</u>	<u>1,801</u>
Expenditures:			
Contractual and other expenditures	<u>12,000</u>	<u>5,392</u>	<u>6,608</u>
RECEIPTS OVER (UNDER) EXPENDITURES	-	8,409	
Beginning Unencumbered Cash Balance	<u>-</u>	<u>6,508</u>	
ENDING UNENCUMBERED CASH BALANCE	<u>\$ -</u>	<u>\$ 14,917</u>	

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - LIBRARY FUND  
SPECIAL PURPOSE FUND - (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Cash Receipts:			
Taxes and shared revenues	<u>\$ 76,000</u>	<u>\$ 66,858</u>	<u>\$ (9,142)</u>
Expenditures:			
Allocations and distributions	<u>76,000</u>	<u>68,577</u>	<u>7,423</u>
RECEIPTS OVER (UNDER) EXPENDITURES	-	(1,719)	
Beginning Unencumbered Cash Balance	<u>-</u>	<u>7,342</u>	
ENDING UNENCUMBERED CASH BALANCE	<u>\$ -</u>	<u>\$ 5,623</u>	

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - AIRPORT FUND  
SPECIAL PURPOSE FUND - (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Cash Receipts:			
Expenditures:			
RECEIPTS OVER (UNDER) EXPENDITURES	-	-	
Beginning Unencumbered Cash Balance	-	10,309	
ENDING UNENCUMBERED CASH BALANCE	<u>\$ -</u>	<u>\$ 10,309</u>	

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - SPECIAL HIGHWAY  
SPECIAL PURPOSE FUND - (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Cash Receipts:			
Taxes and shared revenues	<u>\$ 64,010</u>	<u>\$ 62,451</u>	<u>\$ (1,559)</u>
Expenditures:			
Contractual and other expenditures	<u>122,333</u>	<u>116,843</u>	<u>5,490</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(58,323)	(54,392)	
Beginning Unencumbered Cash Balance	<u>58,323</u>	<u>85,592</u>	
ENDING UNENCUMBERED CASH BALANCE	<u>\$ -</u>	<u>\$ 31,200</u>	

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - SPECIAL PARKS AND RECREATION  
SPECIAL PURPOSE FUND - (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Cash Receipts:			
Taxes and shared revenues	<u>\$ 7,427</u>	<u>\$ 6,046</u>	<u>\$ (1,381)</u>
Expenditures:			
Capital Outlay	<u>36,378</u>	<u>1,581</u>	<u>34,797</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(28,951)	4,465	
Beginning Unencumbered Cash Balance	<u>28,951</u>	<u>28,780</u>	
ENDING UNENCUMBERED CASH BALANCE	<u>\$ -</u>	<u>\$ 33,245</u>	

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - 911 FUND  
SPECIAL PURPOSE FUND - (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Taxes and shared revenues	\$	\$ 3,195	\$ 3,195
Expenditures:			
RECEIPTS OVER (UNDER) EXPENDITURES	-	3,195	
Beginning Unencumbered Cash Balance	-	3,063	
ENDING UNENCUMBERED CASH BALANCE	\$ -	\$ 6,258	

See independent auditor's report.



**SUMMARY SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS  
NON-BUDGETED SPECIAL PURPOSE FUNDS (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	Recreation Fund	Employee Benefits Fund	Civic Center	Tort Liability	Capital Improvement
Cash Receipts:					
Operating transfers	\$	\$ 486,370	\$	\$	\$
Expenditures:					
Personnel expenditures		379,548			12,236
Operating transfers	8				
	8	379,548	-	-	12,236
<b>TOTAL EXPENDITURES</b>					
	(8)	106,822	-	-	(12,236)
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>					
Beginning Unencumbered Cash Balance	8	17,696	2,680	43,816	12,236
<b>ENDING UNENCUMBERED CASH BALANCE</b>	\$ -	\$ 124,518	\$ 2,680	\$ 43,816	\$ -

See independent auditor's report.

**SUMMARY SCHEDULES OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS  
CAPITAL PROJECT FUNDS (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	<u>W Granby Business Park</u>	<u>Raw Water Project</u>
Cash Receipts:		
Miscellaneous	18	
Debt proceeds		500,000
	<u>18</u>	<u>500,000</u>
TOTAL CASH RECEIPTS	<u>18</u>	<u>500,000</u>
Expenditures:		
Contractual and other expenditures		33,675
Capital Outlay		93,920
	<u>-</u>	<u>127,595</u>
TOTAL EXPENDITURES	<u>-</u>	<u>127,595</u>
RECEIPTS OVER (UNDER) EXPENDITURES	18	372,405
Beginning Unencumbered Cash Balance	<u>2,558</u>	<u>-</u>
ENDING UNENCUMBERED CASH BALANCE	<u>\$ 2,576</u>	<u>\$ 372,405</u>

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - GAS UTILITY  
BUSINESS FUND (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Charges for services	\$ 2,217,000	\$ 1,950,226	\$ (266,774)
Use of property	300	129,819	129,519
Interest income	400	453	53
<b>TOTAL CASH RECEIPTS</b>	<b>2,217,700</b>	<b>2,080,498</b>	<b>(137,202)</b>
Expenditures:			
Administration:			
Personnel expenditures	192,500	197,223	(4,723)
Contractual and other expenditures	68,000	60,909	7,091
Material and supplies	10,500	10,844	(344)
Capital Outlay	269,096	10,434	258,662
Equipment	8,500	8,148	352
Distribution:			
Personnel expenditures	205,500	168,276	37,224
Contractual and other expenditures	17,650	18,893	(1,243)
Material and supplies	19,100	26,577	(7,477)
Capital Outlay		71,751	(71,751)
Equipment	7,750	7,774	(24)
Production:			
Material and supplies	1,100,000	1,190,453	(90,453)
Operating transfers	400,000	350,000	50,000
<b>TOTAL EXPENDITURES</b>	<b>2,298,596</b>	<b>2,121,282</b>	<b>177,314</b>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	<b>(80,896)</b>	<b>(40,784)</b>	
Beginning Unencumbered Cash Balance	80,896	12,774	
<b>ENDING UNENCUMBERED CASH BALANCE</b>	<b>\$ -</b>	<b>\$ (28,010)</b>	

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - WATER UTILITY  
BUSINESS FUND (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Charges for services	\$ 839,000	\$ 598,551	\$ (240,449)
Use of property	1,000	2,376	1,376
Interest income	500	328	(172)
<b>TOTAL CASH RECEIPTS</b>	<b>840,500</b>	<b>601,255</b>	<b>(239,245)</b>
Expenditures:			
Administration:			
Personnel expenditures	39,976	918	39,058
Contractual and other expenditures	9,924	11,586	(1,662)
Material and supplies	1,500	2,146	(646)
Capital Outlay	100		100
Equipment	500	1,304	(804)
Distribution:			
Personnel expenditures	168,645	159,138	9,507
Contractual and other expenditures	6,271	9,601	(3,330)
Material and supplies	13,900	26,041	(12,141)
Capital Outlay	188,442	3,000	185,442
Equipment	21,184	6,901	14,283
Production:			
Personnel expenditures	197,526	146,417	51,109
Contractual and other expenditures	43,874	44,754	(880)
Material and supplies	61,100	78,032	(16,932)
Capital Outlay	5,000	3,669	1,331
Equipment	17,500	11,104	6,396
Operating transfers	112,000	103,910	8,090
<b>TOTAL EXPENDITURES</b>	<b>887,442</b>	<b>608,521</b>	<b>278,921</b>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	<b>(46,942)</b>	<b>(7,266)</b>	
Beginning Unencumbered Cash Balance	46,942	15,997	
<b>ENDING UNENCUMBERED CASH BALANCE</b>	<b>\$ -</b>	<b>\$ 8,731</b>	

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - ELECTRIC UTILITY  
BUSINESS FUND (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Charges for services	\$ 6,052,000	\$ 4,109,618	\$ (1,942,382)
Use of property		180,892	180,892
Interest income		245	245
<b>TOTAL CASH RECEIPTS</b>	<b>6,052,000</b>	<b>4,290,755</b>	<b>(1,761,245)</b>
Expenditures:			
Administration:			
Personnel expenditures	199,476	177,688	21,788
Contractual and other expenditures	61,524	73,961	(12,437)
Material and supplies	8,000	11,667	(3,667)
Capital Outlay	827,697	9,654	818,043
Equipment	5,500	7,115	(1,615)
Distribution:			
Personnel expenditures	286,000	234,512	51,488
Contractual and other expenditures	34,875	31,153	3,722
Material and supplies	73,000	45,001	27,999
Capital Outlay	35,125	244,228	(209,103)
Equipment	221,000	118,400	102,600
Production:			
Contractual and other expenditures	13,000	12,387	613
Material and supplies	4,487,000	2,652,120	1,834,880
Debt payments	46,503		46,503
Operating transfers	575,000	475,000	100,000
<b>TOTAL EXPENDITURES</b>	<b>6,873,700</b>	<b>4,092,886</b>	<b>2,780,814</b>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	<b>(821,700)</b>	<b>197,869</b>	
Beginning Unencumbered Cash Balance	821,700	21,717	
<b>ENDING UNENCUMBERED CASH BALANCE</b>	<b>\$ -</b>	<b>\$ 219,586</b>	

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - SEWER UTILITY  
BUSINESS FUND (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Charges for services	\$ 325,000	\$ 374,974	\$ 49,974
Use of property	3,900		(3,900)
Interest income	200	106	(94)
<b>TOTAL CASH RECEIPTS</b>	<b>329,100</b>	<b>375,080</b>	<b>45,980</b>
Expenditures:			
Administration:			
Personnel expenditures	56,000	50,972	5,028
Contractual and other expenditures	9,000	1,665	7,335
Material and supplies	20,000	17,047	2,953
Capital Outlay	155,769		155,769
Equipment		3,452	(3,452)
Sewer System:			
Personnel expenditures	56,725	22,635	34,090
Contractual and other expenditures	8,775	2,581	6,194
Material and supplies	20,000	14,901	5,099
Equipment	14,500	9,772	4,728
Sewer Lagoon:			
Personnel expenditures	35,000	15,716	19,284
Contractual and other expenditures	13,000	14,473	(1,473)
Material and supplies	5,500	1,549	3,951
Capital Outlay	3,000	43,735	(40,735)
Equipment	3,500	366	3,134
Debt payments	40,100	40,071	29
Operating transfers	10,000		10,000
<b>TOTAL EXPENDITURES</b>	<b>450,869</b>	<b>238,935</b>	<b>211,934</b>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	<b>(121,769)</b>	<b>136,145</b>	
Beginning Unencumbered Cash Balance	121,769	17,000	
<b>ENDING UNENCUMBERED CASH BALANCE</b>	<b>\$ -</b>	<b>\$ 153,145</b>	

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - SOLID WASTE UTILITY  
BUSINESS FUND (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Charges for services	\$ 220,000	\$ 203,057	\$ (16,943)
Expenditures:			
Personnel expenditures	127,075	130,275	(3,200)
Contractual and other expenditures	23,950	23,199	751
Material and supplies	32,725	20,155	12,570
Capital Outlay	8,221		8,221
Equipment	26,250	12,448	13,802
Debt payments	34,931		34,931
Operating transfers	5,000		5,000
TOTAL EXPENDITURES	258,152	186,077	72,075
RECEIPTS OVER (UNDER) EXPENDITURES	(38,152)	16,980	
Beginning Unencumbered Cash Balance	38,152	2,341	
ENDING UNENCUMBERED CASH BALANCE	\$ -	\$ 19,321	

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - STORM WATER UTILITY  
BUSINESS FUND (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Charges for services	\$ 35,000	\$ 30,706	\$ (4,294)
Expenditures:			
Administration:			
Personnel expenditures	23,500		23,500
Contractual and other expenditures		22	(22)
Material and supplies	3,000	1,029	1,971
Capital Outlay	92,887		92,887
Equipment	1,500	292	1,208
Operating transfers	5,000		5,000
TOTAL EXPENDITURES	125,887	1,343	124,544
RECEIPTS OVER (UNDER) EXPENDITURES	(90,887)	29,363	
Beginning Unencumbered Cash Balance	90,887	11,730	
ENDING UNENCUMBERED CASH BALANCE	\$ -	\$ 41,093	

See independent auditor's report.



**SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
REGULATORY BASIS - WATER BOND AND INTEREST FUND  
BUSINESS FUND (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Operating transfers	\$ 104,000	\$ 103,910	\$ (90)
Expenditures:			
Capital Outlay	46,346		46,346
Debt payments	104,000	103,910	90
TOTAL EXPENDITURES	150,346	103,910	46,436
RECEIPTS OVER (UNDER) EXPENDITURES	(46,346)	-	
Beginning Unencumbered Cash Balance	46,346	29,056	
ENDING UNENCUMBERED CASH BALANCE	\$ -	\$ 29,056	

See independent auditor's report.

**SUMMARY SCHEDULES OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS  
NON-BUDGETED BUSINESS FUNDS (SCHEDULE 2)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

	Gas Utility Reserve	Water Utility Reserve	Electric Utility	Sewer Utility Reserve	Solid Waste Utility	Storm Water Utility
Cash Receipts:						
Operating transfers	\$	\$	\$	\$	\$	\$
Expenditures:						
Operating transfers						
RECEIPTS OVER (UNDER)						
EXPENDITURES	-	-	-	-	-	-
Beginning Unencumbered Cash Balance	12,364	6,999	6,455	810	4,915	752
ENDING UNENCUMBERED CASH						
BALANCE	\$ 12,364	\$ 6,999	\$ 6,455	\$ 810	\$ 4,915	\$ 752

See independent auditor's report.

**SUMMARY OF RECEIPTS AND DISBURSEMENTS  
REGULATORY BASIS  
AGENCY FUNDS (SCHEDULE 3)**

**CITY OF NEODESHA, KANSAS**

**Year Ended December 31, 2014**

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Receipts</u>	<u>Disbursement s</u>	<u>Ending Cash Balance</u>
Sales Tax	\$ 6,736	\$ 198,535	\$ 195,984	\$ 9,287
Fire Insurance Proceeds	11,527	12		11,539
CDBG Economic Development Grant	6,920	82,440	89,310	50
Unapplied Credits	(18,151)	22,147		3,996
Petty Cash	500			500
Police Substation		27,182	3,542	23,640
TOTAL AGENCY FUNDS	<u>\$ 7,532</u>	<u>\$ 330,316</u>	<u>\$ 288,836</u>	<u>\$ 49,012</u>
			Add: Encumbrances/ Accounts Payable	<u>501</u>
			TOTAL AGENCY FUND CASH (UNENCUMBERED)	<u>\$ 49,513</u>

See independent auditor's report.

**SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS  
RELATED MUNICIPAL ENTITY (SCHEDULE 4)**

**RANKIN MEMORIAL PUBLIC LIBRARY**

**Year Ended December 31, 2014**

Cash Receipts:	
Taxes and shared revenues	\$ 66,859
Fines, fees, and forfeitures	6,178
Interest income	39,196
Grants	13,373
Gifts	6,378
	<hr/>
TOTAL CASH RECEIPTS	131,984
	<hr/>
Expenditures:	
Personnel expenditures	83,440
Contractual and other expenditures	9,250
Material and supplies	15,031
	<hr/>
TOTAL EXPENDITURES	107,721
	<hr/>
RECEIPTS OVER (UNDER) EXPENDITURES	24,263
	<hr/>
Beginning Unencumbered Cash Balance	454,791
	<hr/>
ENDING UNENCUMBERED CASH BALANCE	\$ 479,054
	<hr/>

See independent auditor's report.